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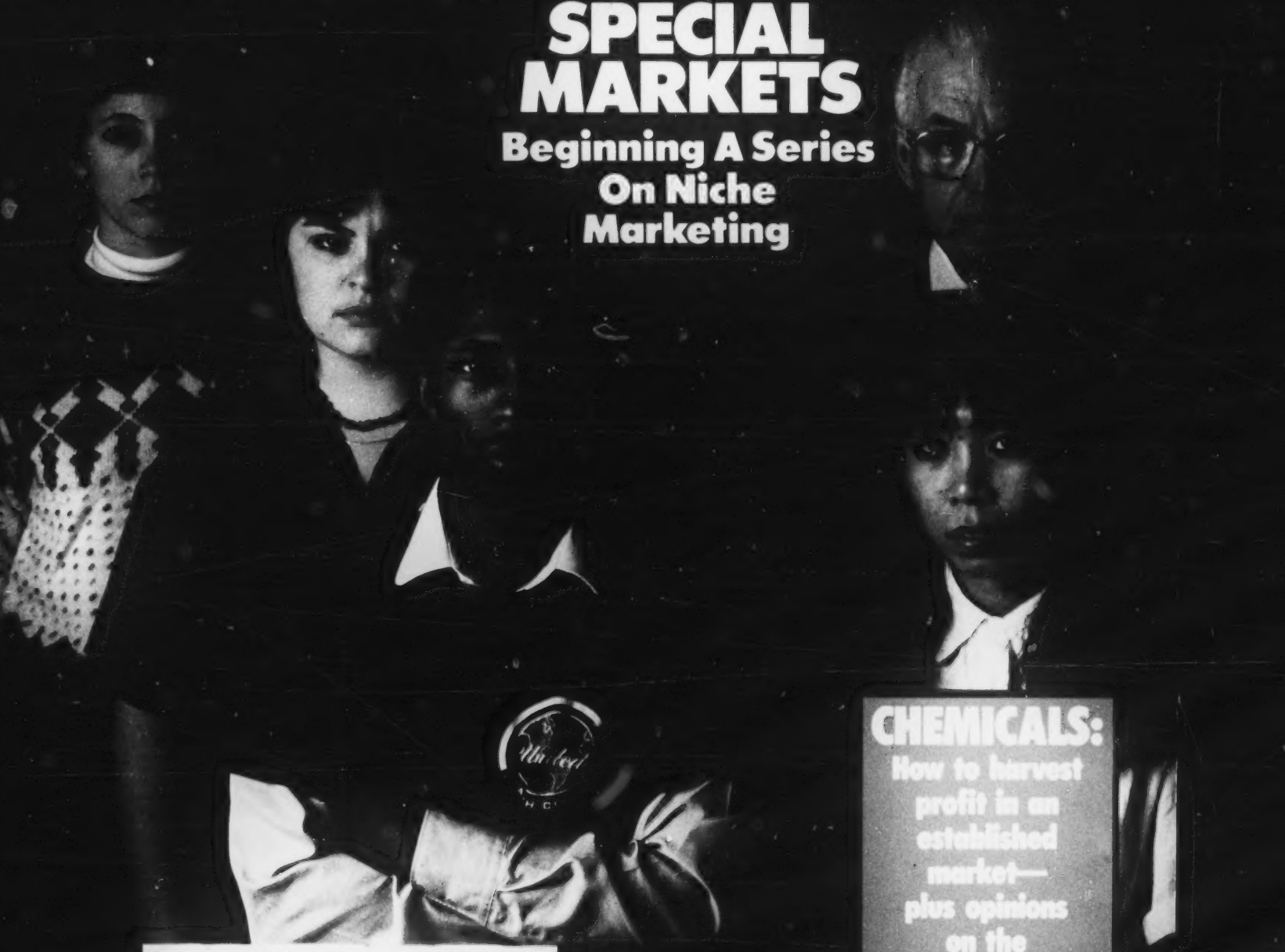

CHEMICALS:

How to harvest profit in an established market—plus opinions on the antifreeze/coolant shortage

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PUBLISHER'S NOTES

REAPING THE BENEFITS

People are different from each other. And if they pay attention to them, retailers can profit from these differences. Research Editor P.R.N. Katcher begins his series about the demographics of five special market segments and how to profit from niche marketing to these groups.

Automotive chemicals are a mature market. But, Contributing Editor Edward L. Kaufman says, there are still many ways to make money with them. He has new input, too, on the status of the antifreeze/coolant, or more properly, the ethylene glycol shortage, and its impact at the consumer level.

Security product sales can be elusive for auto parts retailers. Managing Editor Gail Krueger-Nicholson looks at the current situation and a new twist. There's a switch, more aptly an addition, to the security products business as products come to market with a personal safety benefit in addition to their anti-theft features. Do you know there are special security systems for trucks which protect exterior accessories? Read our security section.

We conclude our popular Employees and the Human Factor series in this issue with some suggestions for a very challenging task: managing your boss!

Enjoy our issue, and let us hear from you!

Sarah Frankson, Publisher

DETAILING THE MARKET

IN-STORE FOCUS

ONE STOP AUTO PARTS INC.
Headquarters: 1113 62nd Ave. N., St. Petersburg, FL 33702 (813)522-2897
Stores: 26 company owned; 1 franchise
Total Chain Sales: $13,000,000 (est.)
Average SKUs: 8-10,000
Founded: 1977

Situated in the middle of formidable competition (Discount Auto Parts, Rose, and Western Auto, to name a few), One Stop Auto Parts is fighting an aggressive battle to stay in the pack.

The firm, which services a market area in central Florida, began in 1977 with one store in Seminole, FL. "At that time, there wasn't much competition," Gerald Klein, One Stop president, explained. "We were the first ones with a DIY retail store, which meant longer hours, advertising, discount pricing, and so forth. We did almost zero wholesale business."

The concept worked, and One Stop added another store the following year. The company continued to grow modestly until 1984, when it opened five stores, and shortly thereafter, brought Allan Klein, formerly of Perry Drug Stores, Pontiac, MI, on board as company vice president.

Earlier in the company's history, "we thought we had our cookie cutter," Gerald Klein said. "In other words, we had our formula. The competition wasn't as fierce. But we saw what was coming – that the competition was going to get formidable."

Allan Klein, Gerald's brother, brought his concept of marketing to One Stop, and the company expanded to 24 stores by June 1987 – a time when the competition also began to expand rapidly. It was time to take serious action to keep One Stop competitive.

"We knew we had to grow, but there's just so much you can do with profits from within your own company," Klein said. An idea for a franchise operation took form at that time, hammered out among the two Kleins and Jon Buskirk, executive vice president/treasurer.

"We looked at it from the standpoint of, 'Would we buy it?'" Gerald Klein said. "So we hobnobbed and came up with the perfect franchise."

The first franchise store opened Labor Day in Spring Hill, FL, a west coast city 50 miles north of Clearwater. The store has the same signage, decor, and product mix as the company-owned versions, and is operated, according to Allan Klein, "in exactly the same way."

As far as the franchise is concerned, it's identical in looks, marketing, merchandising, and supervision to a company store," Allan Klein said.

The One Stop stores are small – approximately 4,000 sq. ft. Some are free standing, but that's not a firm rule. The blue and yellow color scheme is carried inside and outside, with the firm's red stop sign logo on all exterior signage.

One Stop has rejected the innovative racetrack design, and has opted for "straight runs of gondolas," Gerald Klein said. The parts counters are at the back, and cashiers at the front, with the aisles running front to back. DIY items, for the most part, are grouped toward the front of the stores. SKUs that have to be ordered are toward the back.

An average merchandise mix includes accessories, chemicals, waxes, filters, and hard parts. There is no separate import department in One Stop stores, but there is a separate section in front of specialty items, including a carded program of parts for some imports. The franchise stores will follow the same format.

The theory behind this, according to the three One Stop executives, is "If it works corporately, it will work for the franchisee."

What's the lure, then, for potential franchisees?

For one thing, according to Buskirk, "We've got a proven concept, and we're able to pass that knowledge along." Some of that knowledge is in real estate, and being a One Stop franchisee pays off handsomely in [illegible] area. Allan Klein said. "The [illegible] franchise is in a regional shopping center with a Wal-Mart, Walgreen's, and so forth," he said. "Rates for an independent would be 25-30% more than we pay."

"Today in marketing, purchasing, and merchandising, the independent is not able to be competitive. They're better off being involved with a total group. You have to be able to buy at a price where you can compete," Klein said.

One Stop, which plans to "fine tune" its one franchise store before proceeding ("We want to go slowly," Allan Klein said) is operating its franchise program as a separate corporation, OSAFCO Inc. Although it has the same stockholders as One Stop, it's a separate entity.

Buskirk and the Kleins are optimistic about the future. "We're going to continue to grow our own company stores as well as franchise," Buskirk said. According to Gerald Klein, "We will probably expand our company stores at 20% a year. It's too early to say about the franchises, but that could be our greatest expansion."

Gerald Klein, Allan Klein, Jon Buskirk

DETAIL

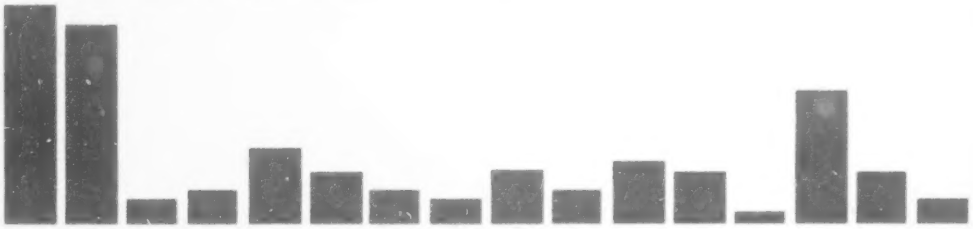
59%

of all motor travel is done in urban areas, according to the Motor Vehicle Manufacturers Association.

PROFILE: TUNE-UP PRODUCT DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we took at DIYers who purchased and installed tune-up products during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	91.2%	8.8%	14.3%	35.2%	24.4%	14.6%	11.5%	25.0%	15.3%	29.4%	24.1%	5.0%	61.0%	20.1%	12.2



MARKET LINE

THE TIRE MARKET

Slow Growth In Tire Sales Forces Consolidation Among Suppliers

Americans bought about 172 million replacement tires in 1987 for cars and light trucks. Domestic automakers bought another 57 million tires for OE cars and light trucks for a total of roughly 229 million tires.

That's a fairly healthy market and 1988 replacement sales are running well ahead of the 1-2% growth projected. In fact, there is actually a tire shortage because of reduced capacity for tire making. Private brand sales (about a third of the total market) are especially hard hit. Tire dealers have reported order fills under 50% in recent months.

However, both the OE and replacement segments of the tire industry are just recovering from a ten year period of change. To understand the change, simply say "radial tire" ten times. Radial tires, first introduced in America by French-based Michelin Tire Corp., Greenville, SC, in the mid-1970s, now make up about 93% of replacement tires and 100% of OE equipment.

The radial tire, mounted on the lighter cars of the 1980s, means that the average life of a tire today is about double the life of a tire in the early 1970s, roughly 38-40,000 miles on the average.

This technological advance, coupled with the recession of the early 1980s which crippled OE sales, decimated the tire industry. For a time, many expected at least one or two of the major suppliers to go out of business. While this did not happen, the impact on suppliers has also been enormous. More than 30 tire plants in the U.S. have closed since 1973. About 50,000 rubber industry workers have been put out of work. About 50% of the cost of a tire is labor, so American tire manufacturers are going overseas to take advantage of low wages. Roughly a quarter of all tires sold in the U.S. are now imported.

And while only imported Michelin has a high market share, foreign tire companies are buying U.S. tire companies to gain access to U.S. plants. Five major buy-outs/mergers took place in the tire industry over the past three years. The 1987 purchase of of Firestone, Chicago, by Bridgestone, the major Japanese tire maker, was only the largest sale. General Tire, Akron, OH, is now owned by Continental of Germany; Armstrong, New Haven, CT, is now owned by Pirelli of Italy; Dunlop, Buffalo, NY, is now owned by Sumitono of Japan.

Even Goodyear, the world's largest tire company with a 21% worldwide market share, had to fight off a hostile buy-out by James Goldsmith of England. The two other leading American tire companies, Uniroyal and B.F. Goodrich, Akron, OH, merged in 1986.

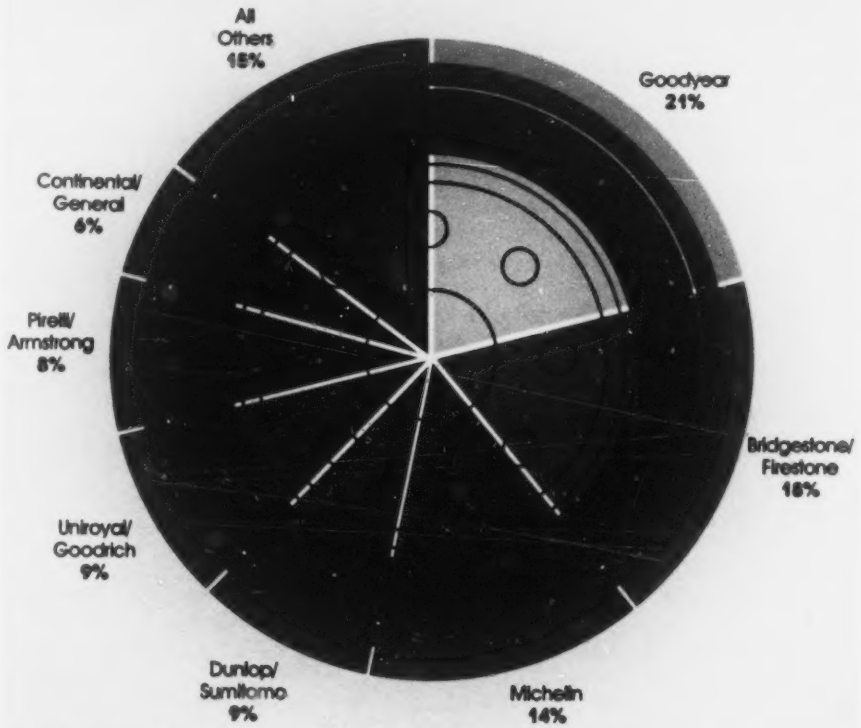
Five suppliers dominate the U.S. market, and each has a different approach to the replacement market.

Supplier Profiles

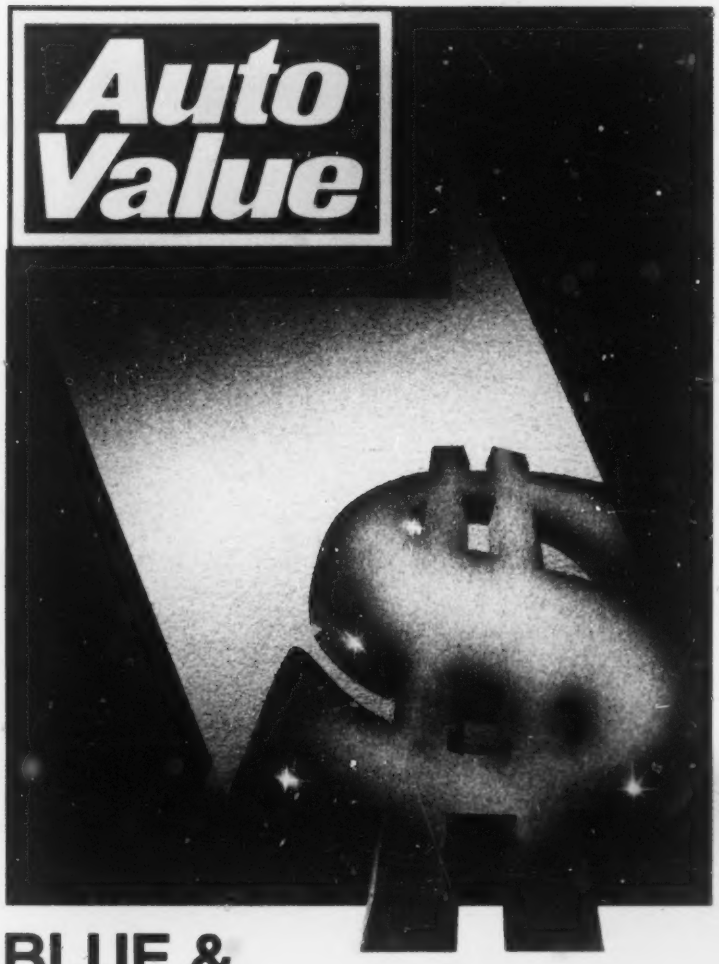
Goodyear Tire and Rubber, Akron, OH, is still the leading supplier, with about a 15-18% share of the branded replacement sales market. Its U.S. tire sales were $4.3 billion, and worldwide sales were $9.9 billion in 1987. In addition,

WORLD MARKET LEADERS

Seven tire companies control 85% of the world tire market. Simply put, Goodyear is the number one tire company in North America, Bridgestone is the number one tire company in Japan/Asia, and Michelin is the number one tire company in Europe. The four companies that follow may soon put their merged strengths together to gain share.



Source: Dunlop Tire Co.



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MARKET LINE

Goodyear has about a third of the OE business, which gives Goodyear an advantage in the replacement market since customers tend to replace tires with the OE brand.

Along with these strengths, its Kelly-Springfield subsidiary is the leading private brander (as much as 8-9% of the replacement tire market through various brands). However, a capacity shortage has led the company to cut back on private brand sales to even such major customers as Canadian Tire, Toronto, which sold almost two million private brand tires in 1987. In addition to sales through about 4,000 independent dealers, Goodyear also has 1,300 owned outlets and more than 600 franchised outlets for direct sales.

Firestone has about a 9-10% branded replacement market share; its parent Bridgestone has about 2%. However, its OE business took a punch in the throat when GM canceled its OE business following the Bridgestone buy-out. Observers say the move will cost Firestone five million lost tire sales, and expect the company to make it up in private brand sales. Firestone has almost 1,500 direct outlets which will probably carry Bridgestone tires in addition to Firestone.

Michelin Tire Corp. has made the most dramatic gains. Starting from scratch in 1975 with the first radials, Michelin now owns about 12-14% of the U.S. replacement market including private brand sales. Michelin is the number one supplier to independent tire dealers and the most price cut by dealers. It also has about a third of the Sears business and substantial private label sales. Michelin had cut a deal with Pirelli to buy the Firestone stores if Pirelli could buy Firestone. Pirelli could not, however.

The Uniroyal-Goodrich combo has about 6-7% of the branded replacement market and almost another 7-8% through private label sales. Armstrong Tire Co. is important mainly because it's the chief supplier to Sears Roebuck, which has about 8-10% of the market.

A sixth supplier, the TBC Co., Memphis, TN, is really a marketing company which sells private labels. TBC was formed as a buying group by several retailers (among them, Grand Auto, Guarantee Auto, Crown Auto, R & S Strauss) and tire dealers in the 1960s. It became an independent corporation in 1983. Its Multi-Mile brand (sold chiefly to tire dealers) and Cordovan brand (sold chiefly to retailers) together have about 5-6% of the replacement tire market.

Global producers such as Pirelli (Armstrong), Continental (General), Bridgestone (Firestone), and Sumitono (Dunlop) should gain in the American market from their acquisitions of American companies. The effect on their subsidiaries is not yet clear.

Tire Trends

Suppliers pin their hopes on two trends. First, the growth of the light truck market has been a boon to the tire market. About 22 million light truck tires were sold in 1987, and many were bias tires. Off-road tires are an especially hot item, even for light truck owners who never go off road.

The second niche for suppliers is the performance market. Tires built for performance (the 50-60-70 series) now account for about 10-15% of the market. These tires are lower and wider than standard tires. Although true performance tires are speed rated at varying levels to 150 mph, many just copy the performance look. They have higher prices, and best of all for suppliers, wear out much faster than normal tires.

"Customers are paying for steering response, braking, and cornering ability," Tom Beasley, marketing manager at Summit Tire, Akron, OH, a major private brander, said. "The people who buy performance tires are not concerned with mileage." Observers expect performance tires to take up 20% of the market by 1990. ■

AUGUST 1988 MARKETBASKET

To determine price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products making up the marketbasket are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

AUGUST 1988 NATIONAL AVERAGE MARKETBASKET PRICES BY ITEM

A non-resistor spark plug:	$ .75
An oil filter:	2.10
A can of 10W30 oil:	.91
A can of paste wax:	3.87
An AM/FM/Cassette:	49.95
A gas-charged shock:	12.84
One gallon of antifreeze:	6.99
One pair of wiper refills:	1.81
A 40-month battery:	31.50
Total:	$110.66

AUGUST 1988 MARKETBASKET PRICES BY MARKETING AREA

1. Greenbelt East:	$125.47
2. Megapolis East:	142.53
3. Smokestack East:	107.58
4. Old South:	86.95
5. Caribbean South:	169.07
6. Smokestack Central:	130.31
7. Grainbelt Central:	107.24
8. Spanish West:	91.69
9. Desert West:	110.50
10. Greenbelt West:	93.00

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TEACHING OLD PRODUCTS NEW SALES TRICKS

Yes, it is possible to get new profits out of mature product categories.

by **Edward L. Kaufman,**
Contributing Editor

What do automotive chemicals and motor oil have in common?

What these two big product categories have in common is appeal to do-it-yourselfers, high turnover, and the ability to sell themselves via consumer-oriented packaging.

As a DIYer, you don't have to be an automotive genius to change your antifreeze/coolant, pour additives into your gas tank or crankcase, use aerosol spray cleaners or apply waxes, polishes or vinyl protectant, or to change your oil. And that's very comforting at a time when many systems of the automobile are becoming harder for professionals to understand, let alone DIYers.

And you don't have to be a retailing genius to sell these products, either. And that, too, is comforting.

Another thing that automotive chemicals and motor oil have in common is that they have reached maturity as product categories. So, the main way manufacturers and retailers can find growth in sales and profits with these products is by developing markets for higher priced, higher performance products. Fortunately, they have done so, opening up new opportunities for retail sales.

Edward L. Kaufman is president of Lindsey-Kaufman Co., a marketing consulting firm specializing in the automotive and truck aftermarkets. Inquiries for additional information should be sent to him at: Lindsey-Kaufman Co., 53 Hamilton Place, Tenafly, NJ 07670, (201) 567-6158.

To find out what retailers think about these opportunities, we mailed a questionnaire to our Retail Panel members asking for their outlook on chemicals and motor oil. Responses came in from every section of the country, from jobber-retailers as well as managers of large, medium, and small chains. We think you'll find the survey findings interesting because they reflect the attitudes and intentions of various types of retailers.

What They Think About Antifreeze

The biggest item for retailers in terms of both gallonage and sales dollars is antifreeze/coolant. It is followed by two functional fluids, brake fluid and transmission fluid. Windshield washer fluid is another "must have" item, and like antifreeze/coolant, its sales are affected by the weather.

In general, our survey respondents were bullish on this group of chemicals. More than three/fifths of them expect faster growth in sales for these chemicals, and more than half plan to add SKUs (not space). Only 6% expect to delete SKUs and/or reduce the amount of space devoted to these products. On the other hand, just over 30% plan on adding space for the category; the majority are standing pat.

But, retailers are concerned about antifreeze/coolant. Since the beginning of Summer, wholesale and retail prices have more than doubled. And the big question is whether prices will continue to rise through the remainder of 1988.

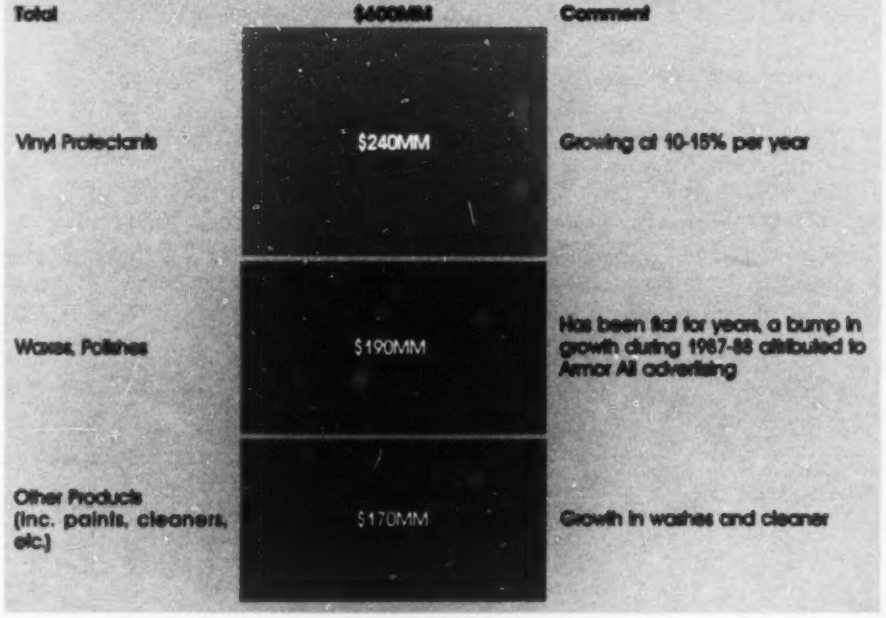
Rumors of an increase were circulating as early as the Fall of 1987. An article in the March 1988 issue of *Automotive Marketing* discussed the likelihood of steep price increases on antifreeze/coolant in 1988. But it was not until June that retailers began to feel the impact of higher prices. Between mid-June and mid-August, wholesale and retail prices of antifreeze/coolant rose between $2 and $4 a gallon. Prices were still rising at the end of August, and some retailers anticipated that retail prices would hit $12-18 per gallon before Winter.

How Retailers Are Coping

We called some of our readers to find

1988 MARKET FOR AUTOMOTIVE APPEARANCE CHEMICALS

This is a $600 million market in retail sales, of which vinyl protectants and cleaners is the largest and fastest growing segment. Armor All estimates industry sales of vinyl protectants and cleaners at $240 million. Retail sales of these products grow at about 12-13% per year. Waxes and polishes have become a slow growth category. However, Armor All's entrance into the category last year—supported by very heavy advertising—appears to have resulted in a "bump," the first growth in total sales of waxes and polishes in a few years.



out how they were coping with the antifreeze/coolant situation. Here's what some of them told us:

- Retail prices were $3.99 last Summer in Champion Auto Stores, New Hope, MN. This year prices were $6.99 on secondary brands and $7.99 on Prestone. Prices were expected to rise well over $10 per gallon—perhaps even over $12.
- In Clarksville, TN, prices rose from $4.50 to $5 last year to $6.99 in June 1988. The automotive manager of a mass merchandiser saw the possibility that retail prices for antifreeze could top $18 per gallon before Winter.
- Anticipating sharp increases, jobber-retailer Turner Noyes of Darling's Auto Parts, Brunswick, ME, had stocked up on antifreeze at a cost of $4.75 per gallon. That stock was sold out quickly. By late August, his cost was $7 per gallon and his retail price was $8.25.
- In the agricultural area of Seneca, KS, farmers and others were well aware that prices of antifreeze might rise sharply. Ray's Auto Supply, a jobber-retailer which does a lot of business with farmers in addition to DIYers, was completely sold out of antifreeze/coolant at the end of August.
- DIYers in the New York suburb of Little Neck, NY, were not at all aware, as of August, that prices of antifreeze had risen so rapidly. At Sav-On Auto Parts, which does 50% of its business with DIYers, Bess Papa said, "They are in for a shock!"
- Retail prices in Lewell, AR, have risen from around $3.95 per gallon last Fall to $7.79 as of the Summer of 1988.
- In San Antonio, TX, last year Western Auto was selling antifreeze at $3.49 per gallon. This year, prices will be a great deal higher. Western Auto district manager Tom Young sees the possibility that rapidly increasing prices on antifreeze will stimulate interest in products which "re-charge" used antifreeze and extend its useful life.

Do retailers see any benefits to rising prices on antifreeze? Not really. In fact, they dread explaining the increases to their customers. Also, some fear that their profit margins may be squeezed even tighter. They see the possibility that competition for business on this traffic builder may prevent them from raising their retail prices equal to their higher costs.

Functional Chemicals

The major products in the functional fluid category are faring very differently from antifreeze/coolant. Brake fluid and transmission fluid are DIY items which tend to be good, reliable sellers throughout the year with DIYers favoring national brands. However, in the upper Mid-

WHAT'S BEHIND THE RUN-UP IN ANTIFREEZE PRICES?

There are all kinds of theories and rumors about antifreeze/coolant. One is that prices have risen because there is now only one producer of ethylene glycol (untrue). Another is that prices have risen because of a severe drop in capacity for producing ethylene glycol (also untrue). Another is that prices, having doubled since last year, may double or even triple before 1989 (possible, but unlikely in the opinion of one leading producer).

It is a fact that there is a close relationship between antifreeze/coolant and ethylene glycol. A typical antifreeze/coolant formulation is 95% ethylene glycol plus some water and corrosion inhibitors. It takes about nine pounds of ethylene glycol to produce a gallon of antifreeze/coolant.

The U.S. market, which consumes about 200-230 million gallons of antifreeze/coolant per year—depending upon the weather—required about two billion pounds of ethylene glycol annually. However, there are about ten producers in the U.S. and roughly six billion pounds of capacity in the U.S. alone.

The problem is that antifreeze/coolant is not the only use for ethylene glycol. The chemical is also used in producing polyester fiber, film and tape, PET—a resin used in molding those large plastic beverage bottles, and other applications.

The price of ethylene glycol rose in 1988 not because of a shortage of capacity but, rather, because producers could get higher prices for their product as a result of strong demand in other applications, particularly overseas. For example, production of polyester textiles has been booming among Asian nations. This has stimulated Asian demand for ethylene glycol. Demand has also been stimulated by increasing use of polyester tape for VCRs.

In addition, producers of ethylene glycol have had to pass along higher costs for raw materials. Their product is derived from an intermediate, ethylene oxide, which in turn, is derived from ethylene. Strong demand for ethylene in numerous applications, including the production of PVC resin, caused prices of ethylene to rise from 13-cents per pound in July 1987 to 31-cents per pound in July 1988.

Antifreeze is a relatively unattractive market to producers of ethylene glycol. Demand can fluctuate with weather conditions but, over the longer term, unit shipments to the antifreeze market increase at less than 1% per year. In addition, profit margins on shipments to the antifreeze industry tend to be lower than in polyester and PET.

Prices of ethylene glycol rose from 18-cents per pound in July 187 to between 40-cents and 42-cents per pound in July 1988. Producers believe that the movement to that level was healthy. That is, from their standpoint, ethylene glycol had been priced too low in relation to their investment. At the end of August one of the ten producers announced an increase to 50-cents per pound, effective September 1, 1988.

Will the increase stick? Can further increases be expected? Speaking for a leading producer of ethylene glycol, a product manager said, "We were surprised, frankly, about that competitor's decision to raise prices to 50-cents per pound. We haven't decided yet whether we will go along. I believe that we are approaching the point at which prices of ethylene glycol will stabilize. A lot will depend upon demand for other uses of ethylene like PVC resin. In any event, we don't expect further increases in 1988 of the magnitude we have already experienced."

On the other hand, an executive of an antifreeze producer said, "I think it is dangerous to speculate. We really don't know. We never expected our costs on ethylene glycol to rise as sharply as they did."

At the APAA show in July, Wynn Oil and Blue Coral's McKay Div. got a lot of attention for their well-timed introduction to antifreeze extenders.

At McKay in Los Angeles, Al Gaspar, a veteran of the additive business, explained the logic behind antifreeze extenders. "Chemists will tell you that ethylene glycol does not wear out. What does wear out are the corrosion inhibitors. We developed a product for the vehicle owner who wants to protect his cooling system but doesn't want to spend $9 per gallon each year to change is antifreeze. Our Mechanic's Brand Antifreeze Coolant Extender costs $3.49 a quart and can be used to treat two gallons of antifreeze. The product works by adding corrosion inhibitors to replace those that have worn out in the cooling system. It can extend the life of antifreeze for more than a year."

Installing either brand of extender is a simple pour-in operation; no draining is necessary. Theoretically, a car owner could extend the life of his antifreeze indefinitely by pouring it in at regular intervals. That, however, is not how antifreeze extender is being marketed. It is being sold as a product which will safely extend a vehicle's antifreeze for at least a year.

What do antifreeze/coolant manufacturers think about antifreeze extenders? Not very much. An executive of First Brands, producers of Prestone, said, "We believe that car owners should protect their cooling systems properly by flushing them at least once a year or every 12,000 miles."

NEW SALES TRICKS

west the Champion Auto Stores chain is testing its own brand of transmission fluid. And it's pleased with the results. One of the motivations for Champion to promote its own brand of transmission fluid is to enhance its image. At Champion, Duane Schatza said, "We want containers with our name to be stocked on the shelves of DIYers' garages. Every time they see them, they'll be reminded of us."

Maintenance Chemicals

This segment of the automotive chemical business includes such well established product categories as oil and gasoline additives, the new and growing category of fuel injection cleaners, and the now declining category of carburetor and choke cleaners.

More than half of our Retail Panel respondents anticipate faster growth in the sales of maintenance chemicals for their stores. On the other hand, less than 50% expect to add SKUs and only 37% plan on increasing the amount of space they devote to maintenance chemicals. Retailers are especially bullish on fuel injector cleaners because of the increasing number of cars with fuel injection systems.

Whether or not they have fuel injection systems, today's four-cylinder, multi-valve cars are sensitive to fuel quality. And almost all vehicles, modern or not, are susceptible to performance problems caused by the buildup of carbon deposits on intake valves and combustion chambers.

Retailers see more customers seeking solutions to the problems of knocking, pinging, and low mileage. Traditionally, these problems were related to the use of low octane fuel. Car owners are looking for the benefits of high octane gasoline without paying premium prices for every fill-up. As a result, there is growing interest in octane improvers – chemicals which actually mix with gasoline to raise the octane level – and in gasoline additives which eliminate the buildup of carbon and improve performance.

A marketing manager for one specialty chemical company said, "There are two types of octane boost products on the market. Most of them are methanol based. Methanol *does* have higher octane than gasoline. However, you would have to use about one gallon of methanol to 14 gallons of gasoline to raise the octane by two numbers. In those amounts, you risk rusting metal parts and damaging rubber seals. That is because methanol is an alcohol – very corrosive. This isn't a problem with the aftermarket packages of methanol because they are so small, only 12 ounces. Twelve ounces of methanol can be added to 14-15 gallons of gasoline without hurting the engine and fuel system parts. On the other hand, this amount of methanol doesn't add much octane to the fuel.

"The other approach to boosting octane is to use a lead substitute – like manganese. That type of product *can* be effective in raising the octane level of the fuel. Unfortunately, it is also extremely toxic – you don't want to get any on your skin! We would not consider making this kind of product because it would be hazardous to our employees, let alone our customers. The approach that we and a few other companies have taken is to treat the problems rather than the symptoms. The *symptoms* are knocking, pinging, low mileage and premature ignition. The *problems* are deposits of carbon on intake valves and in combustion chambers. Preignition, for instance, results from hot spots caused by carbon deposits. You can deal with the symptoms by using higher octane fuel, but we believe the better way is to get more performance *from* the fuel by eliminating the problems."

A NEW PLAYER

Can a major oil company compete successfully in the highly entrepreneurial market for automotive specialty chemicals? Maybe, or maybe not.

However, the situation for Chevron USA, San Ramon, CA is different. Through its Chevron Chemical Co. division, it manufactures Ortho brand lawn and garden chemicals. As a result, it has acquired successful experience in marketing consumer packaged chemicals in volume retail outlets. Chevron Chemical Co. has the assignment of establishing a line of automotive specialty chemicals under the Pro-Care brand. It launched a line of Pro-Care gas treatment products in June. Possibilities for the future include Pro-Care brand functional fluids and appearance products.

One thing for sure, Bill Shewry, Pro-Care manager said, Chevron will not offer a product under the Pro-Care label unless it can claim a product advantage. For example, in gas treatment, Chevron is offering three products which seem to resemble others on the market: they have a fuel system "maintenance" product designed for use with every fill-up, a "one-shot" fuel injector cleaner, and a one-shot product designed to improve performance by removing deposits from intake valves and the combustion chamber. Chevron's advantage? Techron, a unique, patented ingredient which does a remarkably thorough job of removing carbon. So effective in fact, that Chevron's gas treatment products have been recommended by many domestic and foreign car makers.

Oil Additives

The other big favorites in maintenance chemicals are oil additives. And the biggest users of oil additives are, by far, the motor oil manufacturers. They use additives to enable mineral oil to deal with problems of high heat and oxidation. So, if oil companies add chemicals to their motor oil, what need is there for aftermarket oil additives? The answer, basically, is that additives can wear out. Besides, oil additives give DIYers the ability to adjust their oil viscosity to meet their needs. For instance, they are traditionally used by owners of older cars as a last resort before spending the money for a ring job.

While oil additives are widely used, the product category is considered mature and slow growing. This doesn't suit First Brands, Danbury, CT, which has set out to carve a new niche in this old market.

First Brands claims a 50% share of oil treatment business for its STP line of products. Examining STP's base of oil additive customers, First Brands noted that better than 95% are owners of cars five years old or older. In other words, most STP customers use the product as a viscosity improver – a way of coping with old-car problems.

First Brands decided to make an oil additive specifically formulated to solve the problems of later model vehicles powered by multi-valve, four cylinder, high compression, hot running engines. STP Supra Wear Control, First Brands' additive for newer cars, is formulated for the consumer who wants more protection than he can obtain from a conventional motor oil, even the new SG grade of motor oil.

"Compared to SG oil, our new product has 100% more friction reducers, 35% more anti-wear ingredients and 25% more cleaners and dispersers to prevent sludge. It goes beyond SG motor oil to provide much more protection," Rick Bowen, First Brands vice president marketing, said.

At this time, STP has no real competition in the market for its newer car oil additive. Competitors appear to be holding back, waiting to see whether STP's extensive advertising for its new products will establish a new category.

But if STP's newer car oil additive *is* successful, you can bet that it will be joined by its competitors.

Appearance Chemicals

This group of products – judged to amount to about $600 million in retail sales annually – includes vinyl protectants and cleaners, waxes and polishes, and a long list of other kinds of automotive appearance products including touch-up paint, bug and tar removers, general purpose cleaners, specialty cleaners for use on upholstery and car interior surfaces and car washes.

There are conflicting opinions on the growth prospects of the appearance chemicals group. At one extreme, a senior executive of a leading company said, "This is a mature, slow growing industry. In fact, it has been declining during the past few years. We see two main reasons for this: changes in consumer lifestyles and base coat/clear coat finishes on automobiles. Whether because of the aging of the population or changes in values, we don't know, but consumers seem to be less willing to spend an afternoon to clean and polish their automobiles.

"The other problem has to do with changes in automotive finishes. The trend to clear coat finishes has given some consumers the impression that waxing is not needed, or less needed. In addition, many waxes contain abrasives which can scratch a clear coat. To stimulate growth, we have to have answers for both problems. Our solution is a new product which is easy to use and which contains no abrasives."

Retailers have a slightly different perspective. They say that their appearance chemical business is still growing (an average of 6.4% for 1988 over 1987) but that the business is not what it was. And yes, they attribute slower growth to better finishes.

Armor All, Irvine, CA, is very optimistic about this category. A top Armor All executive said, in effect, that growth is a matter of commitment.

"Our growth in the vinyl protectant and cleaner category is well known. Some say that we *are* the category. We have spent many millions on advertising to achieve that position and maintain it. We see growth possibilities in the wax and polish field, too. Studies of the Gallup organization show that the percentage of the population which is spending time on car waxing *rose* between 1982 and 1986.

"The fact that industry sales of waxes and polishes fell during this period was a result of *abandonment* rather than lack of potential. In 1982-83 wax and polish manufacturers spent a total of $10 million on advertising. In 1987, they spent only $3 million. Sales went down as advertising expenditures went down.

"We entered the wax and polish field in 1987, said that we would spend $5 million on advertising our new products, and did. In fact, our expenditures were closer to $5.5 million. The results: in our first year we expanded the entire market – the first growth in a few years – and we gained a 20% share of the market."

Armor All intends to grab more market share, too. It has recently acquired the car care products division of Borden Inc., Columbus, OH. Borden makes Rally and Rain Dance automotive waxes.

EXPENSIVE PRODUCTS FOR EXPENSIVE CARS

Petrofam Intl., Houston, has entered the aftermarket with three additive products which are frankly aimed at owners of upscale cars, particularly those which are fuel injected and turbocharged.

The present line includes a fuel injector cleaner (suggested retail of $7.99 for 16-oz.), a gasoline additive specifically for turbocharged cars ($6.99 for 16-oz.), and synthetic oil additive, also for turbocharged cars. Pricing is admittedly at "the higher end" because "...high technology costs money and we offer leading edge technology," a company spokesman said.

The line is stocked by chain stores such as Chief Auto and Western Auto. Petrofam is supporting retail sales with advertising in car buff books and in club magazines such as *Turbocharging* and *Porsche Panorama*.

At Petrofam, Yohanne Gupta sees the market for turbocharged vehicles growing and broadening rapidly. "About four to six million turbocharged vehicles are in use now. At present, turbocharged cars are bought because they obtain more power from a four cylinder engine. In the case of another fuel shortage, sales will increase because turbocharging provides a means for obtaining more miles per gallon." But, repairing turbochargers can be very expensive; $1,000 bills are not uncommon. Stop and go driving results in olefin deposits which can severely affect performance. Petrofam sees a great need to educate owners of turbocharged vehicles on preventive maintenance.

What's New in Motor Oil?

In motor oil, the SG designation should stir up some market interest. It isn't every year that a new grade is introduced. The last one was SF motor oil, introduced in 1982. SG oils were developed because car makers and the petroleum industry recognized a need to provide a motor oil which can stand up to the tough conditions presented by today's hot-running cars.

Not every motor oil manufacturer has an SG oil in the line yet, but most will have one by Spring 1989.

In terms of motor oil market trends, perhaps one of the most significant events has been Amoco's launching of its synthetic lubricant called Ultimate.

Amoco, Chicago, is enthusiastic about Ultimate – and so is its competitor Mobil Corp., Fairfax, VA, which produces Mobil-1 synthetic oil.

Talking about Ultimate, a Mobil spokesman said, "We are happy to see Amoco join us in the synthetic motor oil business. It has been a little lonely here! We need some help in educating the public on the advantages of synthetic over conventional oil. For example, with Mobil-1 there is no sludge, no wax, longer life (up to one year or 25,000 miles), better performance at both very high temperatures and very low temperatures. We hope that Amoco will spend several million dollars advertising Ultimate. We introduced Mobil-1 in 1977 and have spent many millions of dollars in advertising the product since then."

For similar reasons, Mobil was also happy to see General Motors promote Mr. Goodwrench brand synthetic oil via its dealerships. Guess who supplies GM with the synthetic?

One company, Amsoil Inc., Superior, WI, claims to have preceded Mobil in the synthetic motor oil business. Amsoil, a producer of synthetics since 1973, markets a line of some 60 lubricants and greases through a network of independent dealers. Some Amsoil dealers sell quarts of Amsoil motor oil right out of their car trunks to their neighbors. However, quite a few dealers sell cases or drums of Amsoil products to parts jobbers and even small regional chains.

Amsoil sales director Bob Brennan said, "Our product *works*, engines run cooler and last longer; all five of our major synthetic motor oils meet or exceed the SG standard. Beyond that, the benefit to the parts store is offering a product which is not footballed. The profit a retailer can make selling Amsoil synthetic at $4.95 per quart can be more than he might make selling a case of ordinary motor oil!"

Will the introduction of conventional SG motor oils reduce the appeal of high priced synthetics? Not in the opinion of Amsoil. "Our customers are people who will always seek more performance and more protection than they can obtain from a standard product."

At Mobil, E.D. (Buddy) Bryant said, "There is no comparison in the performance of a synthetic, like our Mobil-1, and conventional motor oils. At the service station it costs about $4.25 for Mobil-1 compared to about $2.25 per quart for an ordinary oil. In the retail stores, Mobil-1 costs about $3.99 versus an average price of $1.19 to $1.29 per quart. Four dollars a quart may seem like a lot of money, but it is actually a small price to pay to protect an automobile which may cost $23,000 to $25,000."

All in all, for a couple of mature product categories, automotive chemicals and motor oil still have a few surprises to offer. And it is still possible to find growth in sales and profits by selling the higher-priced, higher-performance products developed within these two categories. ■